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TAGS: [PREL](#) [ECON](#) [PGOV](#) [PA](#)
SUBJECT: AMBASSADOR'S FAREWELL DINNER WITH LUGO

Classified By: A/DCM Joan Shaker; reasons 1.4 (b) and (d).

¶1. (C) SUMMARY: Ambassador and A/DCM met with President-elect Fernando Lugo and Foreign Minister-designate Alejandro Hamed Franco August 1, Ambassador Cason's last night in Paraguay before departing post August 2. While Hamed said very little, Lugo's demeanor was warm and engaging. Ambassador and A/DCM informally reviewed U.S. assistance programs with Lugo and Hamed, including the MCC Threshold Program, USAID's "Paraguay Sells" export program, English-language scholarships, and our medical diplomacy efforts. Regarding the U.S. delegation to Lugo's inauguration, Ambassador explained the significance of Secretary of Commerce Gutierrez's visit as a symbol of our interest in increasing commercial ties. Lugo told the Ambassador that he has organized his cabinet into political, social and economic subgroups. He assured the Ambassador that anti-corruption remains his top priority, and said he's asked each of his ministers to come up with three priorities for his administration's first 100 days. Lugo identified his greatest challenges as land reform, managing the landless/roofless movements, and reforming the civil service system. Despite continuing objections to Hamed's appointment, particularly from the Paraguayan Congress, Hamed's presence at the dinner signaled that he is here to stay. END SUMMARY.

¶2. (C) Ambassador and A/DCM had dinner with President-elect Fernando Lugo August 1, Ambassador Cason's last night in Paraguay before departing post August 2. Lugo's protocol staff informed the Embassy that Lugo would bring his chief of staff, Miguel Lopez Perrito, with him; instead, Foreign Minister-designate Alejandro Hamed Franco accompanied Lugo without prior notice. Neither Lugo nor Hamed addressed U.S. concerns regarding Hamed's appointment as foreign minister.

SOME INSIGHT INTO LUGO

¶3. (C) While Hamed said very little during the three-hour-long dinner, Lugo's demeanor was warm and engaging throughout. Lugo opened up more than in previous meetings and shared numerous anecdotes about his transition to the presidency and his personal life. Lugo studied English for eight weeks (although he says he doesn't remember anything he learned), and once visited Chicago on church business. He recounted his love of comparative law classes at the Vatican, noting that his best professors were over age 60, when "people begin to really understand life." Lugo also mentioned the importance of taking risks. He talked about a wall hanging in his home that reminds him that nothing is gained without risk.

¶4. (C) Lugo also stated that he plans to live in a small apartment in the presidential palace instead of the rambling presidential residence. Lugo said President Duarte remodeled

an apartment in the palace, which would suit his humble needs. Lugo recounted his August 1 surprise tour of the palace in which he wandered throughout the building and spoke directly to support staff. The staff told Lugo he was the first president to ever enter their quarters.

A REVIEW OF US ASSISTANCE

¶15. (C) Ambassador and A/DCM informally reviewed several U.S. assistance programs with Lugo and Hamed over dinner, including the MCC Threshold Program (on which Lugo is now well-briefed), USAID's "Paraguay Sells" export program, English-language scholarships, and our medical diplomacy efforts. Lugo recognized the importance of taking the obligatory 6 percent travel agency commission off the books in order to entice airlines to return to or establish service in Paraguay; he also seemed to grasp the positive impact of an e-visa program on tourism and investment. Lugo appreciated the Embassy's recent donations in his home department of San Pedro (internet connections, a social pharmacy, and two fire trucks). Ambassador also discussed the Embassy's work to encourage a public-private partnership to clean up Ciudad del Este. (NOTE: Hamed was particularly interested to learn that Embassy is working with several Lebanese businessmen on this project. END NOTE). Lugo thanked Ambassador Cason for his assistance over the past several years, and particularly for his interest in Paraguayan culture.

¶16. (C) Regarding the U.S. delegation to Lugo's inauguration, Ambassador explained the significance of Secretary of Commerce Gutierrez's visit as a symbol of our interest in increasing commercial ties. (NOTE: Lugo's advisors had expressed concern that President Bush had not accepted Lugo's invitation to attend the inauguration. Unfamiliar with the U.S. system, Lugo believed Gutierrez's designation was a slight. Ambassador clarified that President Bush has not attended a single inauguration in his two terms as president, and that Gutierrez's visit is an extremely positive signal for the bilateral relationship. END NOTE). Ambassador Cason reminded Lugo that the United States is the top direct foreign investor in Paraguay, and of our commitment to Paraguay's economic development.

ORGANIZING HIS GOVERNMENT

¶17. (C) Lugo told the Ambassador that he has organized his cabinet into political, social and economic subgroups. Lugo said his first few cabinet meetings with all 35 ministers had not been productive, and that they would not continue to meet as one group. Lugo also mentioned that his schedule has been overwhelming; some 4,000 people are on a wait list for an audience with him. Lugo mentioned one recent meeting in which his guest complained of muscle aches, which prompted Lugo to install additional bureaucratic "filters" to protect his time. Lugo also expressed concern about his ability to move his agenda forward in light of the existing bureaucracy, noting that five attorneys in the presidential palace work exclusively on issuing presidential decrees for his signature.

LUGO'S GOALS AND CHALLENGES

¶18. (C) Lugo assured the Ambassador that anti-corruption remains his top priority. In a meeting with former U.S. Assistant Secretary for Western Hemisphere Affairs Roger Noriega last week, Lugo said he pulled Noriega aside to tell him to let him know personally if anyone in the Paraguayan government attempts to solicit a bribe. Lugo said he might install a hotline for reporting corruption, and expressed his firm commitment to cleaning up Paraguay's image with potential international investors. Lugo expressed confidence

in his anti-corruption agenda with respect to the executive branch, but lamented that it would be difficult to reform the courts and Congress.

¶9. (C) Lugo asked each of his ministers to come up with three priorities for the administration's first 100 days. Hamed said he had not yet developed his plan; Lugo mentioned his own desire to rid Paraguay's embassies and consulates of political patronage. Lugo did not see a pressing need for a Constituent Assembly as a vehicle for reform, he said, unless the Paraguayan people demand it. In response to the Ambassador's question, Lugo identified his greatest challenges as land reform, managing the landless/roofless movements, and reforming the civil service system.

COMMENT

¶10. (C) Despite continuing objections to Hamed's appointment due to fraud and corruption allegations, particularly from the Paraguayan Congress, Hamed's presence at the dinner signaled that he is here to stay. While Hamed cautiously observed Lugo's interactions with the Ambassador (warming up slightly at the end), Lugo's jovial demeanor conveyed his interest in close relations with the United States. Our message matched his tone -- the United States is Paraguay's friend and we're here to help. END COMMENT.

¶11. (C) BIO NOTES: Hamed is from the Central Department. He speaks at least conversational English, and may be fluent enough to conduct official meetings in English. Hamed did not drink any alcoholic beverages during the meeting. He is difficult to read. END BIO NOTES.

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Robinson